

Message Text

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ORIGIN ARA-20

INFO OCT-01 ISO-00 EB-11 PA-04 PRS-01 USIA-15 INT-08

OPIC-12 COME-00 OMB-01 TRSE-00 CIEP-03 CEA-02 EA-11

RSC-01 /090 R

DRAFTED BY ARA/CAR/J:DCNORTON:RC

APPROVED BY ARA/CAR:JRBURKE

EB/IFD/OIA:DHSTEBBING

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P 302107Z SEP 74

FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON PRIORITY

INFO AMCONSUL PARAMARIBO PRIORITY

AMEMBASSY GEORGETOWN PRIORITY

AMEMBASSY SANTO DOMINGO PRIORITY

AMEMBASSY PORT AU PRINCE PRIORITY

UNCLAS STATE 215173

E.O. 11652: N/A

TAGS: EMIN EINV JA

SUBJECT: PM MANLEY'S PRESS CONFERENCE ON BAUXITE

1.

THE FOLLOWING ARTICLE APPEARED IN SEPT 30 EDITION OF WALL STREET JOURNAL:

"2. JAMAICA BEGAN THE SECOND ROUND OF NEGOTIATIONS AIMED AT THE COUNTRY'S "PARTICIPATION" AND MAJORITY INTEREST, IN SOME CASES, IN THE ALUMINUM COMPANIES THAT ARE MINING BAUXITE IN THE CARIBBEAN ISLAND NATION.

3. AT A PRESS CONFERENCE OVER THE WEEKEND JAMAICA'S PRIME MINISTER MICHAEL MANLEY DISCLOSED THAT NEGOTIATIONS HAVE ALREADY BEGUN WITH REVERE COPPER AND BRASS INC., AND THAT TALKS ARE SCHEDULED TO START WITH KAISER ALUMINUM AND CHEMICAL CORP. HE EXPECTS NEGOTIATIONS TO CONCLUDE BY YEAREND, HE SAID.

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4. OTHER COMPANIES OPERATING IN JAMAICA INCLUDED ALUMINUM CO. OF AMERICA (ALCOA), ALCAN ALUMINUM LTD., REYNOLDS METALS CO., ANACONDA CO. AND ALUMINA PARTNERS LTD.

5. CONFIRMING WHAT MR. MANLEY SAID, A KAISER ALUMINUM SPOKESMAN VOLUNTEERED THAT NEGOTIATIONS, "MAY BE WRAPPED UP IN TWO WEEKS, DEFINITELY WITHIN 30 DAYS."

6. THE JAMAICAN CHIEF EXECUTIVE STATED THAT HIS COUNTRY IS AIMING AT 51 PER CENT HOLDING IN NEW FACILITIES. AS FOR OPERATIONS ALREADY ESTABLISHED, HE DIDN'T MENTION A SPECIFIC LEVEL OF "PARTICIPATION". "OUR APPROACH IS FLEXIBLE AND FRIENDLY," HE ADDED.

7. REJECTING NATIONALIZATION OF THE COMPANIES THAT HAVE BEEN MINING BAUXITE, FROM WHICH ALUMINUM IS DERIVED, MR. MANLEY SAID THAT "TO DEVELOP THE COUNTRY THERE IS NEED FOR MASSIVE INVESTMENT." HE WANTED TO "LEAVE THE DOOR OPENED" FOR THAT SORT OF INVESTMENT HE SAID.

8. EARLIER THIS YEAR JAMAICA UNILATERALLY INCREASED ITS TAX ON BAUXITE AND ALUMINA ABOUT 700 PER CENT RESULTING IN ANNUAL REVENUE OF ABOUT 200 MILLION DOLLARS THIS YEAR, UP FROM 25 MILLION DOLLARS LAST YEAR. THE COMPANIES HAD OFFERED A PACKAGE WHICH WOULD HAVE INCREASED JAMAICA'S TAKE TO 80 MILLION DOLLARS A YEAR.

9. ASKED WHETHER JAMAICA'S UNILATERAL PRICE INCREASE WOULD CAUSE THE COMPANIES TO BE WARY OF THE COUNTRY'S FUTURE ACTION, MR. MANLEY SAID, "THE COMPANIES KNOW WE WERE FAIR IN WHAT WE DID. WE AREN'T RESPONSIBLE FOR THE PRICE OF BAUXITE RISING 19 CENTS IN LESS THAN TWO YEARS." OVER A PERIOD OF 18 MONTHS THE PRICE OF INGOT HAS RISEN TO 39 CENTS FROM 20 CENTS. JAMAICA'S TAX INCREASE ONLY ACCOUNTED FOR 2.7 CENTS OF THAT, THE JAMAICAN CHIEF EXECUTIVE SAID.

10. MR. MANLEY OBSERVED THAT ALUMINUM COMPANIES HAVE REPORTED EARNINGS RECORDS IN RECENT MONTHS AND THAT ESTIMATES SHOW THE CONCERNS WILL CONTINUE THIS PROFIT RISE.
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11. THE JAMAICAN OFFICIAL SAID RAISING TAXES HASN'T IMPEDED PRODUCTION OF BAUXITE AND ALUMINA. IN THE FIRST SIX MONTHS, PRODUCTION ROSE MORE THAN 8 PER CENT TO 7.3 MILLION TONS FROM 6.8 MILLION TONS A YEAR EARLIER, HE SAID. THUS, HE ISN'T "CONCERNED," HE ADDED, WITH STATEMENTS OF SOME COMPANIES THAT THEY WOULD TURN ELSEWHERE OR TO OTHER RAW MATERIALS TO REPLACE THE

JAMAICAN BAUXITE.

12. ACCORDING TO THE KAISER SPOKESMAN, THE DEMAND FOR BAUXITE "IS VERY TIGHT AND WE ARE OPERATING AT 100 PER CENT ." IT'S PRACTICALLY THE SAME FOR OTHER COMPANIES, HE SAID. THIS IS WITH HOUSING STARTS-GREAT USERS-BEING OFF, HE ADDED. IN OTHER WORDS, THE ALUMINUM COMPANIES WILL BE MORE FLEXIBLE IN THEIR DEALINGS WITH JAMAICA.

13. JAMAICA PROVIDES SOME 60 PER CENT OF THE MORE THAN 11 MILLION TONS OF ALUMINUM ORE IMPORTED BY THE US. ONLY AUSTRALIA SURPASSES THE ISLAND NATION IN BAUXITE PRODUCTION, BUT THE PROXIMITY OF JAMAICA TO THE US MARKET GIVES IT A COMPETITIVE EDGE.

14. MR. MANLEY WAS TO MEET WITH AUSTRALIA'S PRIME MINISTER GOUGH WHITLAM OVER THE WEEKEND HERE. THE JAMAICAN CHIEF EXECUTIVE SAID HE HOPES AUSTRALIA WILL JOIN THE INTERNATIONAL ASSOCIATION OF BAUXITE PRODUCERS, WHICH JAMAICA WAS INSTRUMENTAL IN ORGANIZING EARLIER THIS YEAR.

15. OTHER THAN GUYANA AND SURINAM IN THE WESTERN HEMISPHERE WHO ALREADY BELONG TO THE ORGANIZATION, DOMINICAN REPUBLIC

AND HAITI HAVE SHOWN SOME INTEREST. BOTH OF THESE COUNTRIES HAVE FOLLOWED JAMAICA'S LEAD IN NEGOTIATIONS WITH US ALUMINUM COMPANIES.

16. IN THE CASE OF HAITI, MR. MANLEY SAID, AT THE REQUEST OF THE HAITIAN GOVERNMENT HE HAS SENT A TEAM OF EXPERT NEGOTIATORS TO PORT AU PRINCE TO HELP THE HAITIANS. DURING A RECENT VISIT TO KINGSTON, HAITI'S MINISTER OF COMMERCE AND INDUSTRY SERGE N. FOURCAND DISCLOSED THAT THE COUNTRY UNCLASSIFIED

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GOT LESS THAN 1 MILLION DOLLARS FOR THE APPROXIMATELY

700,000 TONS OF BAUXITE THAT REYNOLDS MINES IN SOUTHWEST HAITI. THE HAITIAN GOVERNMENT SAYS IT WANTS 7.1/2 PERCENT OF THE PRICE OF ALUMINUM ON THE US MARKET. A DEADLINE OF NOVEMBER 11 WAS GIVEN REYNOLDS TO MAKE A FAVORABLE PROPOSAL." INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER, BAUXITE, TEXT, PRESS CONFERENCES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE215173
Document Source: CORE
Document Unique ID: 00
Drafter: DCNORTON:RC
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740275-0972
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974091/aaaaabbh.tel
Line Count: 162
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2002 by maustmc>; APPROVED <10 FEB 2003 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PM MANLEY'S PRESS CONFERENCE ON BAUXITE
TAGS: EMIN, EINV, JM, (MANLEY, MICHAEL)
To: KINGSTON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005